

## Message Text

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ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 INT-08 SCEM-02 SCI-06 STR-08

AID-20 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06

SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04

PRS-01 SS-20 USIA-15 ACDA-19 IO-14 AF-10 EA-11 DRC-01

/254 W

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R 301228Z OCT 73

FM AMEMBASSY MADRID

TO USCINCEUR VAIHINGEN, GER

INFO SECSTATE WASHDC 7084

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USNMR SHAPE BELGIUM

C O N F I D E N T I A L MADRID 6275

E.O. 11652: GDS

TAGS: ENRG, SP

SUBJ: EUCOM OIL SITUATION

REF: USCINCEUR P 241304Z OCT 73 (NOTAL)

1. GOS IN NO BETTER POSITION THAN OTHER CONCERNED  
GOVERNMENTS ASSESS INTENT OF ARAB PRODUCING STATES IN  
ANNOUNCED PLAN TO REDUCE CRUDE OIL PRODUCTION PRO-  
GRESSIVELY FOR DURATION OF ISRAELI OCCUPATION OF ARAB  
TERRITORY. WORDING OF ANNOUNCEMENT IS IN TERMS OF  
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REDUCTION OF TOTAL CURDE OIL PRODUCTION BUT ASSURANCES

THEN GIVEN THAT PRODUCING STATES WILL NOT REDUCE SUPPLIES TO "FRIENDS" OR THOSE COUNTRIES WHO DEMONSTRATE SYMPATHY FOR ARAB CAUSE IMPLIES THAT ONLY THE U.S. AND THOSE SUPPORTING THE U.S. POSITION AND/OR ISRAEL ARE INTENDED TO BE AFFECTED. FURTHERMORE, FACT THAT PRODUCING COUNTRIES SPOKE OF CUTS IN PRODUCTION RATHER THAN EXPORTS INDICATE THAT ARABS DO NOT SEEK SHORT TERM IMPACT ON CONSUMING COUNTRIES OTHER THAN THE UNITED STATES. EFFECT OF CEASE FIRE ON ARAB RESOLUTION TO USE OIL AS A WEAPON UNKNOWN BUT EMB THINKS PRODUCING COUNTRIES ARE UNLIKELY TO DENY FOR LONG THEIR EUROPEAN CONSUMERS AND JAPAN CRUDE OIL SUPPLIES AND THUS SACRIFICE THE HUGE REVENUE EARNED FROM THAT TRADE. IF THE PRODUCING STATES MEANT WHAT THEY SAID ABOUT NOT PUNISHING FRIENDS AND SYMPATHIZERS MOST CONSUMING COUNTRIES SHOULD CONTINUE TO HAVE ACCESS TO ARAB OIL, BUT THE PRICE MAY INCLUDE AN UNDERTAKING BY CONSUMING COUNTRIES NOT TO REPLACE THE LOSSES THE U.S. INCURS FROM THE ARAB EMBARGO BY PRODUCT SHIPMENTS TO THE U.S. FROM NATIONAL REFINERIES. INTERNATIONAL OIL COMPANIES CAN EXPECT CLOSE SURVEILLANCE OF CRUDE OIL LIFTING AND SEVERE PRESSURE NOT TO USE SOURCES IN MAJOR CONSUMING COUNTRIES TO SUPPLY THEIR U.S. REQUIREMENTS.

2. USAF DRAWS POL SUPPLIES FROM THE SPANISH DISTRIBUTION MONOPOLY CAMPSA THROUGH THE PIPELINE CONNECTING BASES HERE ON A REPLACEMENT BASIS. PURCHASES IN SPAIN FOR INSTALLATIONS OUTSIDE SPAIN WOULD NOT INVOLVE CAMPSA BUT WOULD BE CONTRACTED WITH REFINERS WHICH ARE PREDOMINANTLY CONTROLLED BY INTERNATIONAL COMPANIES. HOWEVER, THE OBLIGATION OF REFINERS IN SPAIN IS TO SUPPLY THE NEEDS OF THE INTERNAL MARKET AND THE GOS HAS MAINTAINED LICENSING CONTROLS ON PRODUCT EXPORTS. PRIOR TO HOSTILITIES IN THE ME, SPAIN ROUTINELY PERMITTED EXPORTS OF PRODUCTS IN EXCESS OF DOMESTIC DEMAND, BUT AFTER FIGHTING BEGAN THE MINISTRY OF INDUSTRY TOLD REFINERS NOT TO UNDERTAKE TO EXPORT WITHOUT CONSULTING THE MINISTRY. IF A COMPANY NEEDS TO EXPORT TO MAINTAIN REFINERY RUNS, OR TO SATISFY A CONTRACTUAL OBLIGATION, COMPANY MUST CONFER WITH MIN IND AT WHICH TIME MIN WILL EXAMINE SITUATION OF REFINERY IN RESPECT OF CRUDE AND PRODUCT STOCK, NEEDS OF

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SPANISH MARKET FOR PARTICULAR PRODUCTS AND DECIDE WHETHER LICENSE EXPORT. SPAIN IS IN TIGHT SUPPLY SITUATION ON FUEL OIL AND WHEN AN EXPORT IS APPROVED, GOS MAY REQUIRE EXPORTER TO ARRANGE SWAP FOR EQUIVALENT QUANTITY OF FUEL OIL. GOS HAS ASSURED EMBASSY THAT THESE MORE RESTRICTIVE CONTROLS ARE NONDISCRIMINATORY AS TO EXPORT DESTINATIONS AND THAT NO EXPORT SHIPMENTS HAVE BEEN DENIED BECAUSE DESTINED TO U.S. OR U.S. FORCES IN EUROPE.

3. DESPITE THE ASSURANCES IN PARA 2, U.S. MUST NOT OVER-  
LOOK FACT THAT FIRST CONSIDERATION FOR GOS IS ASSURANCE  
OF ADEQUATE POL SUPPLIES FOR OWN REQUIREMENTS AND, IF  
ARAB PRODUCERS WERE TO INSIST ON GUARANTEE THAT CRUDE  
OIL PROVIDED SPAIN NOT BE THE SOURCE OF PRODUCT SUPPLIES  
FOR THE U.S., WE WOULD EXPECT SPAIN TO AGREE TO SUCH  
A GUARANTEE. THE QUESTION THEN WOULD BE HOW DILIGENTLY  
THE GOS MIGHT WANT TO CONTROL SHIPMENTS. WE ASSUME,  
HOWEVER, THAT WITH A CEASE FIRE THERE WOULD BE NO  
INTERRUPTION OF SUPPLIES TO USAF ON A REPLACEMENT BASIS  
SO LONG AS DOD DEMONSTRATES A CAPABILITY TO MAKE  
RESTITUTION FROM ITS SOURCES.

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## Message Attributes

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